



REPORT/RECOMMENDATION

To:	MAYOR AND COUNCIL	Agenda Item	<u>VII. B.</u>
From:	John Wallin	<input checked="" type="checkbox"/>	Action
	Finance Director	<input type="checkbox"/>	Discussion
Date:	August 21 2012	<input type="checkbox"/>	Information
Subject:	Special Assessment Policy Revision		

ACTION REQUESTED:

Approve proposed revision to the Special Assessment Policy

INFORMATION/BACKGROUND:

The City Council discussed a revision to the special assessment policy at the June 5 City Council Work Session with representatives from consulting firm Northland Securities and again at the August 6 Council meeting. During the discussion at the August 6 Council meeting, The Council was informed when asking whether the new policy could be effective for projects to be assessed this fall that the bond resolution to fund the projects restricted the special assessment term and interest rate. The resolution states "The Council presently estimates that the special assessments shall be in the principal amount of \$3,307,764 payable in not more than 10 installments, the first installment to be collected with taxes during the year 2013, and that deferred installments shall bear interest at the rate of 4.1% per annum from the date of the resolution levying said assessment". After the August 6 Council meeting the question was asked of the City's Bond Counsel whether the above sentence left the City Council any flexibility in setting the term of the special assessment and the interest rate. The Bond Counsel's opinion is the "estimated" refers to the entire sentence and the Council does have flexibility in setting the term and interest rate of the special assessment. As a result, the City Council can choose to make the attached special assessment policy effective for projects to be assessed this fall.

As presented at the August 6 Council meeting the main changes of this special assessment policy compared to the prior policy are as follows:

1. Extend repayment period for special assessments from 10 to 15 years.
2. Restructure the payments from a declining principal formula to a level payments formula.
3. Decrease the spread between the interest rate of the City's project financing and what is added to the special assessments that are financed by the City from 2% to 1%.
4. Exclude sidewalk, trail and lighting costs from Project Costs subject to the cost share formula. These costs would be paid from a new revenue source: utility franchise fees.

The attached special assessment policy was changed from the draft presented to Council August 6 in that section 1 was amended to include storm water management improvements as costs paid from the City's Storm Water Utility Fund and the effective date in this draft is for projects with the special assessment hearings after September 1, 2012.

RECOMMENDATION:

The City could not make necessary infrastructure improvements to the City and keep its competitively low property tax rate without a special assessment program. Staff believes the proposed policy revision will allow the City to continue its infrastructure improvement program and provide a moderated impact to impacted property owners in the future. Staff recommends the Council approves the proposed revision.

ATTACHMENT:

Proposed Revision to the City of Edina's Special Assessment Policy



**CITY OF EDINA
SPECIAL ASSESSMENT POLICY**

POLICY PURPOSE:

Establish an assessment policy for typical assessments that include local roadways, alleys, sound walls, water utility lines, sanitary sewer utility lines, sump pump removal or redirection, garbage and debris removal, aquatic weeds, weed mowing, tree removals, and maintenance districts.

POLICY:

1. **Allocated Costs:** The cost of curbs, gutters and other storm water management improvements for a Non-State Aid Residential Street Reconstruction Project will be paid from the City's Storm Water Utility Fund. The cost of replacing and repairing the publicly-owned portions of underground water and sanitary sewer utility lines will be paid from the City's Utility Fund. The cost of sidewalks, trails, lighting and pedestrian/cyclist related street markings will be paid from the City's Pedestrian and Cyclist Safety Fund.
2. **Assessable Costs:** 100% of the costs incurred for the reconstruction of a Non-State Aid Residential Street, excluding allocated costs, shall be assessed to the directly benefitting properties of the project, pursuant to a formula based on a Residential Equivalent Unit (REU). Assessable costs include the following: mobilization, direct construction costs, construction finance costs, City and contracted engineering costs, scientific and technical consulting costs, printing and mailing, legal and other project related costs. Construction finance costs are the cost of funds used to finance the project construction until the adoption of the resolution imposing the special assessment.
3. **Unit of Assessment:** The assessable unit for non-state aid residential street projects will be the residential equivalent unit (REU). An REU shall be one residential lot, regardless of lot size or amount of street frontage. For publicly owned or undeveloped parcels with developable residential potential, the number of REU's shall be computed based upon the maximum residential development potential of the parcel based upon the density allowed under the applicable zoning Code and Comprehensive Land Use Plan.
4. **Corner Lots:** If a corner lot is subject to multiple street reconstruction assessments, the total assessable cost should be the equivalent to 1 residential equivalent unit. The address of the lot shall determine if the corner lot is assessed at 1, 1/3, 2/3, or 0 REU's for that project:
 - If the address of the lot is on the roadway being reconstructed and no previous roadway assessments have been levied for that lot, the REU shall be 1 REU.
 - If the address of the lot is on the roadway being constructed and a roadway assessment has been levied previously for that lot, the REU shall be 2/3 REU.
 - If the address of the lot is not on the roadway being constructed, but the side or rear yard is and no previous roadway assessment has been levied for that lot, the REU shall be 1/3 REU.
 - If the address of the lot is not on the roadway being constructed, but the side or rear yard is and a roadway assessment has previously been levied for that lot of 1 REU, the REU shall be 0 REU.

5. Multiple Assessments: Lots subject to multiple assessments cannot be treated differently than lots subject to a single assessment.
6. Repayment Periods: Repayment period for special assessments levied by the City of Edina vary depending on the purpose for which the assessment was levied: Repayment periods and terms are as follows:
 - a. Maximum Repayment Periods:
 - i. Local roadway reconstruction - 15 years.
 - ii. Sound walls – 15 years.
 - iii. Garbage and debris removal, aquatic weeds, weed mowing, and maintenance districts – 1 year.
 - iv. Tree removals - 1 year if under \$500, 2 years if \$500 to \$1000, and 3 years if over \$1000.
 - v. Underground utility line replacements – 15 years.
 - vi. Sump pump removal or redirection – 5 years
 - b. Assessment Interest Rate – The interest rate for a special assessment shall be 1% higher than the estimated “net interest” rate of the bonds to be issued for the project. If a bond is not issued for a project then the interest rate shall be 1% higher than the net interest rate of the most recent bonds sold by the City prior to ordering the public improvement. The interest rates for 6.a.iii., 6.a.iv., 6.a.v., and 6.a.vi. shall be 6.5%
 - c. The City will accept both partial pre-payments and full pre-payments on assessments before certifying the assessment to the County. For ease of administration, a minimum of 25% of the assessable cost must be applied for a partial payment.
 - d. The City shall inform all property owners received a special assessment of the City’s Senior Deferral Program.
 - e. Payments shall be amortized using a level annual payment schedule.
7. The new policy will not be retroactive to projects that have already been assessed. Special assessment policy revisions approved on August 21, 2012 shall become effective for projects with final assessments hearings after September 1, 2012.

Background:

- A. Special Assessment Policy Background dated September 7, 2010
- B. Special Assessment Policy Proposal dated August 16, 2005